

**REPORT OF THE AUDIT OF THE
FORMER BOONE COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER BOONE COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts has completed the former Boone County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the former County Clerk and the revenues, expenditures, and fund balances of the former County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The former Boone County Clerk had total revenues of \$28,782,480, which was a \$1,437,391 increase from the prior year. Except for reimbursed expenses in the amount of \$114,052, the former Clerk paid 25% of revenues to the Boone County Fiscal Court in the amount of \$735,538. This was an increase of \$77,548 from the prior year. In addition, expenditures increased by \$1,269,707.

Lease Agreement:

The former County Clerk's office had a debt obligation of \$29,875 for a software license agreement as of December 31, 2010.

Deposits:

The former County Clerk's deposits as of April 7, 2010 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$211,556

The former County Clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the former County Clerk's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary Moore, Boone County Judge/Executive
Honorable Rena' Ping, Former Boone County Clerk
Honorable Kenny Brown, Boone County Clerk
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the former County Clerk of Boone County, Kentucky, and the statement of revenues, expenditures, and fund balances of the former County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2010. These financial statements are the responsibility of the former County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the former County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2011 on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Gary Moore, Boone County Judge/Executive
Honorable Rena' Ping, Former Boone County Clerk
Honorable Kenny Brown, Boone County Clerk
Members of the Boone County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Boone County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 31, 2011

BOONE COUNTY
 RENA' PING, FORMER COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2010

Revenues

State Fees For Services		\$	35,699
Fiscal Court			26,472
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	3,442,003	
Usage Tax		10,615,768	
Tangible Personal Property Tax		10,498,627	
Notary Fees		15,240	
Lien Release Fees		43,840	
Other-			
Marriage Licenses		23,182	
Beer and Liquor Licenses		85,366	
Deed Transfer Tax		451,969	
Delinquent Taxes		2,338,866	27,514,861
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		49,830	
Real Estate Mortgages		311,175	
Chattel Mortgages and Financing Statements		313,018	
Powers of Attorney		3,480	
Affordable Housing Trust		155,706	
All Other Recordings		123,923	
Charges for Other Services-			
Candidate Filing Fees		1,850	
Copywork		23,909	982,891
Other:			
Postage		12,521	
Miscellaneous		39,716	
Prior Year Surplus		133,440	
Recovery of Bad Checks		30,857	216,534
Interest Earned			6,023
Total Revenues			28,782,480

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
 RENA' PING, FORMER COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 2,388,399

Usage Tax 10,299,526

Tangible Personal Property Tax 3,654,601

Licenses, Taxes, and Fees-

Delinquent Tax 686,812

Legal Process Tax 103,302

Affordable Housing Trust 155,706 \$ 17,288,346

Payments to Fiscal Court:

Tangible Personal Property Tax 1,150,270

Delinquent Tax 118,734

Deed Transfer Tax 429,371

Beer and Liquor Licenses 81,002 1,779,377

Payments to Other Districts:

Tangible Personal Property Tax 5,293,752

Delinquent Tax 866,314 6,160,066

Payments to Sheriff

135,001

Payments to County Attorney

342,131

Other Charges-

Refunds 13,465

Miscellaneous Bank Transactions 901

Election Expenses 771 15,137

Total Expenditures

\$ 25,720,058

Net Revenues

3,062,422

Payments to State Treasurer:

75% Operating Fund* 2,320,665

25% County Fund 735,538 3,056,203

Balance Due at Completion of Audit

\$ 6,219

* Includes reimbursed expenses of \$114,052 for the audit period. See Note 1 of the Notes to the Financial Statements.

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
 RENA' PING, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2010

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2010	\$ 414,945	\$	\$ 414,945
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	2,320,665		2,320,665
Fees Paid to State - County Funds (25%)	<hr/>	735,538	735,538
	<hr/>	<hr/>	<hr/>
Total Funds Available	2,735,610	735,538	3,471,148
<u>Expenditures</u>			
Boone County Fiscal Court		735,538	735,538
Personnel Services-			
Official's Statutory Maximum	103,284		103,284
Official's Expense Allowance	3,600		3,600
Official's Training Allowance	3,624		3,624
Deputies' Salaries	1,062,354		1,062,354
Employee Benefits-			
Employer's Share Social Security	83,804		83,804
Employer's Share Retirement	185,990		185,990
Employer's Paid Health Insurance	284,064		284,064
Other Insurance	6,697		6,697
Contracted Services-			
Indexing Materials	18,981		18,981
Materials and Supplies			
Office Supplies	19,666		19,666
Other Charges-			
Conventions and Dues	4,196		4,196
Election Expense	400		400
Postage	17,611		17,611
Office Renovation/Upkeep	16,823		16,823
Tax Bill Preparation	14,734		14,734

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
 RENA' PING, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE FORMER COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges - (Continued)			
Equipment Maintenance	\$ 9,276	\$	\$ 9,276
Miscellaneous	30,104		30,104
Debt Service-			
Lease Purchase - Computer Software	71,700		71,700
Total Expenditures	1,936,908	735,538	2,672,446
Fund Balance - December 31, 2010*	\$ 798,702	\$ 0	\$ 798,702

*Excess fees in the amount of \$795,078 was paid to the Fiscal Court on July 5, 2011.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2010

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
(Continued)

Note 3. Deposits

The former Boone County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former County Clerk did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). On April 7, 2010, the former County Clerk's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the former County Clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$211,556

Note 4. Mechanic's Lien Accounts

The County Clerk's office has bank accounts for mechanic's liens. When a mechanic's lien is filed, funds can be deposited into these accounts until the dispute has been settled.

A. Grome Account

There were no funds deposited or expended during 2010, leaving an unexpended balance of \$450 as of December 31, 2010.

B. Buschelman Account

There were no funds deposited or expended during 2010, leaving an unexpended balance of \$25,862 as of December 31, 2010.

Note 5. Lease Agreement

The County Clerk's office is committed to a lease agreement with Software Management for computer software. The agreement requires a monthly payment of \$5,975, commencing July 17, 2006 and ending July 16, 2011. The total remaining balance of the agreement was \$29,875 as of December 31, 2010.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
(Continued)

Note 6. Prior Year Adjustment

The beginning fund balance was decreased by \$3,118 to correct the fund ending balance from the prior year.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary Moore, Boone County Judge/Executive
Honorable Rena' Ping, Former Boone County Clerk
Honorable Kenny Brown, Boone County Clerk
Members of the Boone County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Boone County Clerk for the year ended December 31, 2010, and have issued our report thereon dated August 31, 2011. The former County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Boone County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the former County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Boone County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Boone County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 31, 2011

